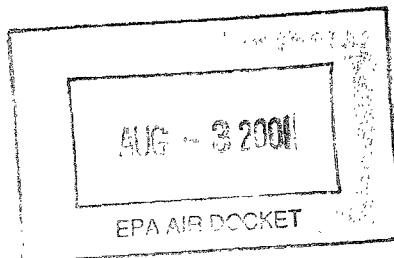


STAPPA / ALAPCO



STATE AND TERRITORIAL
AIR POLLUTION PROGRAM
ADMINISTRATORS

ASSOCIATION OF
LOCAL AIR POLLUTION
CONTROL OFFICIALS

July 24, 2001

S. WILLIAM BECKER
EXECUTIVE DIRECTOR

Governor Christine Todd Whitman
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Dear Governor Whitman:

On behalf of the State and Territorial Air Pollution Program Administrators (STAPPA) and the Association of Local Air Pollution Control Officials (ALAPCO), we would like to provide you with some preliminary perspectives regarding the National Energy Policy Development (NEPD) Group's recommendation – included in the NEPD Group's May 2001 report to President Bush – relative to state and local “boutique” clean fuels programs and EPA's efforts to respond to that recommendation.

In Chapter 7 of the report, the NEPD Group:

recommends that the President direct the Administrator of the EPA to study opportunities to maintain or improve the environmental benefits of state and local ‘boutique’ clean fuel programs while exploring ways to increase the flexibility of the fuels distribution infrastructure, improve fungibility, and provide added gasoline market liquidity. In concluding this study, the Administrator shall consult with the Departments of Energy and Agriculture, and other agencies as needed.

First, STAPPA and ALAPCO have concerns with the premise upon which this recommended study is based – that environmental regulations and clean air programs in general, and regional, state and local fuel programs in particular, play a role in fuel supply shortages and price increases. Page 7-13 of the report states:

Refiners are subject to environmental regulation and face several new clean air requirements over the next decade. Refiners will face many clean fuel production standards, which require the production of many different kinds of gasoline and diesel fuel for different parts of the country. New Environmental Protection Agency rules will require refiners

to produce gasoline and diesel fuel with significantly lower sulfur content. New clean air requirements will benefit the environment, but will also require substantial capital investments and additional government permits. The proliferation of distinct regional and state gasoline and diesel product standards, the significant permitting needed, and the downtime to make the needed physical and operational changes will challenge refiners and governments to effectively coordinate in order to reduce the likelihood of supply shortfalls and price spikes.

Our associations believe that before moving to address the "proliferation" of regional, state and local fuel programs, EPA should first study and validate the conclusion that there is a "likelihood" that regional, state and local fuel programs will lead to supply shortfalls and price spikes. The relative impact of local fuel programs must be compared to other factors that may affect supply and price, such as merger activity, refinery shutdowns and pipeline capacity.

Second, STAPPA and ALAPCO believe it is important to review the history behind the establishment of regional, state and local fuel programs. In particular, it is significant to note that most of these programs were encouraged by the petroleum industry. During the 1990s, as many areas considered opting in to the federal reformulated gasoline program, they were discouraged from doing so by the petroleum industry and, instead, encouraged to adopt a low-Reid Vapor Pressure standard – thus resulting in varied programs. The fact that an array of "boutique" fuel programs now exists can be directly attributed to the petroleum industry's influence in this regard.

Third, it is our understanding that EPA and the Administration are considering developing a "menu of options" from which regions, states and localities can choose with respect to gasoline, in an effort to limit the range of specialty programs. To the extent that such a menu of alternatives is pursued, STAPPA and ALAPCO urge that it be based on "highest-common-denominator" (i.e., most stringent) options that maximize emission reductions and public health benefits, as well as flexibility with respect to fuel formulation. Further, any national effort to develop a menu of gasoline options should take into consideration and address the impact of current statutory requirements relative to fuel formulation.

Fourth, and perhaps most importantly, no matter what conclusions EPA and the Administration draw from the study of boutique fuels and their impacts, under no circumstances should state and local areas' authorities under section 211(c) of the Clean Air Act be weakened. STAPPA and ALAPCO are resolute in their belief that states and local areas must preserve their statutory ability to adopt more stringent fuel requirements. Further, the ability to adopt regional, state or local fuel requirements should not be limited to areas that need to do so for the purposes of attaining the National Ambient Air Quality Standard for ozone; rather, it should be extended to any area that could benefit from such a program for any public health or environmental reason. We note, however, that if EPA and the Administration establish a national gasoline program or a national "menu" of options modeled after the best programs possible, then the need for states and

local areas to exercise their statutory authority to take further action will be greatly diminished, if not eliminated.

On behalf of STAPPA and ALAPCO, we thank you for considering these preliminary perspectives on this very important issue. If you have questions, please do not hesitate to contact either of us or Bill Becker, Executive Director of STAPPA and ALAPCO. We look forward to having additional opportunities in the coming weeks to discuss EPA's study of boutique fuels, the conclusions you will draw and the proposals that you will make and to offer further comments and recommendations.

Sincerely,

Richard A. Valentinetti

Richard A. Valentinetti
STAPPA President

Arthur L. Williams

Arthur L. Williams
ALAPCO President